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JULY 1, 1991
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RB

RESTAURANT BUSINESS

SPECIAL REPORT:
SITES AND SATURATION 72

MENU IDEAS:
ALL-AMERICAN BARBECUE 151

MARKET SEGMENT:
ASIAN 127

McDonald's Menu Mission 109

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(Left to r.): Tom Glasgow, Ed Rensi, and Michael Goldblatt in McDonald's test kitchen, Oak Brook, IL

RB CONTENTS

JULY 1, 1991 VOL. 90, NO. 10

COVER STORY

McDONALD'S MENU MISSION. Big Mac is trying to recover its momentum with an unprecedented number of changes in menu, pricing, and corporate policy. Recently, *RB* editors met with top company officials at McDonald's Oak Brook, IL, world headquarters to discuss the company's whirlwind of change and its prospects for the future **109**

FEATURES

SPECIAL REPORT SITES AND SATURATION. Faced with market saturation and astronomical real estate prices, chain executives say that siting has become riskier and more difficult, but the tools they work with have become more dependable and sophisticated **72**

HOSPITALITY BUDGET HOTELS. Budget-conscious travelers today don't want fancy restaurants, high-energy lounges, or chocolates on their pillow. They want clean, comfortable rooms, free coffee, and room rates they can live with. While managers of moderate and upscale properties grapple with empty rooms and declining profits, business among economy hotels is booming **87**

INDEPENDENT STAR MARY'S. In a small town in southern Illinois, restaurateur Mary Licos operates a 60-seat fine-dining operation situated inside her home **98**

INDEPENDENT STAR CAFE BOTTEGA. In Birmingham, AL, Frank Stitt's 105-seat Highlands Bar & Grill grossed $1.7 million last year. His success emboldened him to tackle a second restaurant called Cafe Bottega, a combination Italian trattoria and ristorante **105**

WARES, ETC. CHINAWARE. The look, feel, and shape of your china and other tableware make a strong first impression on guests **120**

Cover photograph by Chris Stanley

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MARKET SEGMENT REPORT ASIAN. The Asian segment is poised where pizza was 20 years ago: on the verge of an explosion in growth, especially for startup chains. The market is dominated by independents, and like those in the pizza segment, they will be most threatened by the incursion of chains 127

FOOD AND BEVERAGE

DRAFTS, CARAFES & SPIRITS CASUAL WINES. For satisfying the wine-drinking public, the best bets today are premium chardonnay, white zinfandel, and cabernet sauvignon. For the times when customers feel adventurous, liven up the wine list with a few unusual varietals as well 145

MENU IDEAS BARBECUE. Ask 25 barbecue experts their definition of barbecue, and you're likely to get an equal number of varied and passionate responses. But it's possible for any restaurant chef or operator to catch a bit of the barbecue spirit 151

PRO'S PANTRY TOMATOES. Whether you call it a fruit or a vegetable, tomatoes are good food 159

CHEF'S ART JACK SHAPANSKY. At Ciboney Spa and Beach Resort in Ocho Rios, Jamaica, executive chef Shapansky serves Jerked Snapper 160

PIECE MEAL FRIED ICE CREAM. Customers love this dessert that's hot and crispy on the outside and cool and creamy in the inside 163

COLUMNS AND DEPARTMENTS

BUSINESS BAROMETER 2

LETTERS TO THE EDITOR 8

RESTAURANT OPENINGS 18

INSIGHTS. Industry News 24

MENU PLANNERS GUIDE 50

CALENDAR 68

EQUIPMENT I.Q. Refrigeration 140

BUYER'S CIRCLE. Noteworthy Equipment 143

CLASSIFIED ADVERTISEMENTS 168

LATE LINE. Last-minute Newsbreaks 171

INDEX 173

SOUND OFF 174

READER COMMENT CARD 175

IN THE NEXT ISSUE

COVER STORY TOP 50 GROWTH CHAINS. *RB's* exclusive report on the fastest-growing chains. These top performers are ranked in terms of sales and units. The number-one slot is held this year by Chevy's Mexican Restaurants with 1990 sales growth of 69%.

SPECIAL REPORT THE DISTRIBUTOR RELATIONSHIP. Traditionally, there have been elements of antagonism and partnership in the relationship between operator and distributor. How do you guarantee that it's more of a cooperative effort?

MARKET SEGMENT REPORT STEAK. Salad bars, chicken, and seafood are as common as sirloins when steak-house concepts broaden their menus.

TEST KITCHEN LITE MENUS. A look at which light dishes are hot in all segments. Plus, a report on some of the experts who are developing light recipes and corresponding nutritional data.

DRAFTS, CARAFES TROPICAL COOLERS. In the hot summer doldrums, customers love to chill out with fruity and festive drinks festooned with elaborate garnishes.

TEST KITCHEN:
Barbecue, p. 151.

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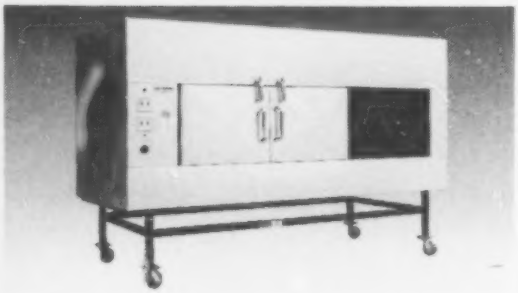

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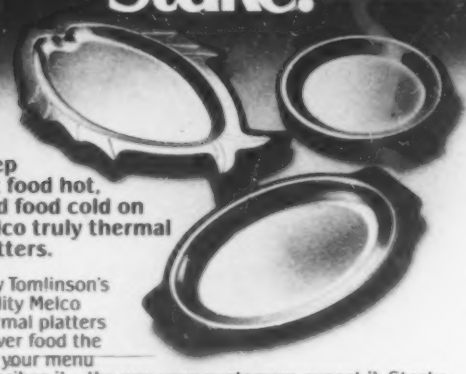

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Arturo Torres Vs. Pizza Hut

Pizza Hut franchisee Arturo Torres has major gripes.

Japanese-born Kuni Toyoda is revving up the small Italian fast-food chain Fazoli's, once owned by Jerrico Inc.

A bitter, five-year legal battle between PepsiCo Inc., parent company to Pizza Hut, and Cuban-born Arturo Torres, one of Pizza Hut's largest franchisees, is becoming more heated and the punches are landing harder.

Torres, president of San Antonio-based Pizza Management Inc. (PMI), which owns approximately 250 Pizza Huts in Texas, Puerto Rico, and Spain, has recently been joined in his fight against PepsiCo by the Hispanic Congressional Congress, which has launched an inquiry into the matter since PMI is one of the largest Hispanic-American owned businesses in the U.S.

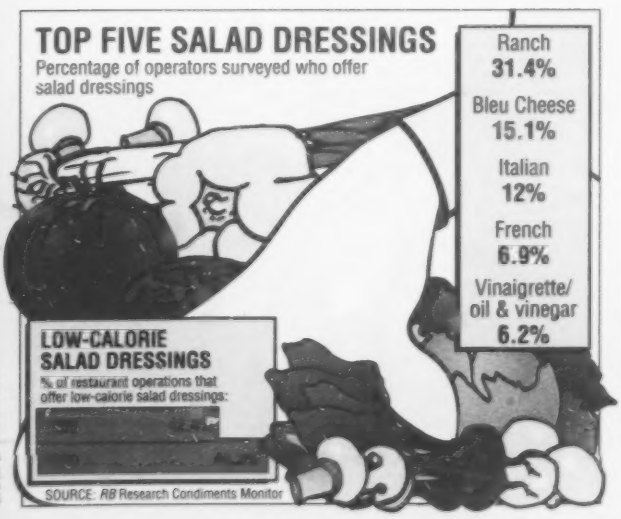
The feud dates back to 1986, when PMI filed a $100 million lawsuit against PepsiCo for blocking it from going public. PepsiCo countersued, seeking to terminate PMI's franchise agreements, claiming they had been violated. Both suits are still pending.

PepsiCo contends Torres must retain at least a 51% interest. But Torres maintains that requiring that minimum makes it difficult to acquire other franchisees and that Pizza Hut has in effect created a buyer's monopoly. National Pizza, a large public company in the Pizza Hut system, agreed to hold a 51% ownership minimum.

PepsiCo, meanwhile, recently rejected Torres' request to operate a potentially lucrative Pizza Hut at the 1992 Olympic Village in Barcelona, Spain, where PMI already operates nearly 20 units. PMI charges the refusal is in retaliation for the lawsuit. PepsiCo wouldn't comment on the Barlecona rejection.

But Ken Ross, PepsiCo's director of public relations, did deny discrimination was practiced by PepsiCo. "It's just that we strongly believe that requiring our franchisees to maintain at least a 51% interest is the only way we can ensure that our restaurants maintain the quality of their service and their food," he said.

–Don Nichols


TOP FIVE SALAD DRESSINGS
Percentage of operators surveyed who offer salad dressings
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Bleu Cheese 15.1%
Italian 12%
French 6.9%
Vinaigrette/ oil & vinegar 6.2%
LOW-CALORIE SALAD DRESSINGS
% of restaurant operations that offer low-calorie salad dressings:
SOURCE: RB Research Condiments Monitor

CHART BY SHARI FANG

Asian Revives Italian Concept

He was born and reared in Japan, but Kuni Toyoda is all-American now. Proof of that is in the pasta—the pastas and pizzas that are served in Toyoda's 12 fast-food Italian restaurants known as Fazoli's.

Fazoli's was stalled at five units a little more than a year ago when Lexington, KY-based Jerrico Inc. was looking to sell its floundering Italian restaurants to reduce its debt. Toyoda, who had not long before overseen Long John Silver's expansion into Japan for Jerrico, saw an opportunity to grab the American dream. "Italian and Chinese are two of the biggest untapped segments," he says.

Toyoda found financing from Duskin Co. of Japan and closed a deal. He named his new company the Seed Restaurant Group and set out to expand Fazoli's beyond the green pastures of Kentucky.

But first, he added combination meals and specials to reposition Fazoli's as a value chain and introduced supportive television advertising. Average unit volumes are about $800,000, he says.

Since March, Toyoda has opened four Fazoli's in Florida. The first Florida location, opened in the greater Orlando area, broke lunch sales records. Toyoda says he wants to add more units in Central Florida and expand into Ohio and Tennessee.

"We want to become the leader in the Italian fast-food market," says 40-year-old Toyoda. With popular pasta dishes such as spaghetti, lasagna, ravioli, baked ziti, and chicken cacciatore selling for between $1.89 and $3.69, coupled with Toyoda's driving business acumen, that goal may become more than just a wistful dream.**–M.A.**

RISKY BUSINESS

Sites & Saturation

With a dense restaurant population and rising real estate prices, site selection has become tougher than ever.

Kentucky Fried Chicken intends to expand its business through the construction of nontraditional sites, such as this funky unit in Los Angeles (l.) and limited-menu kiosks.

BY KEVIN FARRELL

Although everything from the overall economic picture to the items on menus has changed radically in the restaurant industry, one maxim remains: The three most important components of success are "location, location, and location." Faced with market saturation and astronomical real estate prices, restaurant chain executives who select sites for future building say that their jobs have become riskier and more difficult, but the tools they work with have become more dependable and sophisticated. These days, combinations of demographics, psychographics, census figures, computerized sales projections, and consultant's reports are joined to old-fashioned "gut feelings" to yield decisions on where to locate a restaurant.

"It's almost like warfare," confides Lane Cardwell, senior vice president of strategic development for Dallas-based Brinker International, the owner of 240 Chili's. "But," he adds, "the weapons are changing."

Cardwell and other chain executives with site selection responsibilities point to new —and less expensive—data bases that contain information on everything from the standard measures of income and education to such esoteric subjects as lifestyles and even dog ownership. And now much of this information is available for very small parcels of land, including single city blocks or suburban streets. Whereas census tracts used to be the standard measure, now "Zip plus Four"—which can often contain as few as 15 households or only one business park—is the area that is more widely used to gather information on people.

GREATER PRECISION. The trading area, or amount of space that an operator sees as its primary market, is rapidly shrinking. In addition, with the proliferation of chains and changes in consumer lifestyles, people are less likely to travel as far to a restaurant. Or, they want the convenience of staying on the side of the street they are already traveling on, and they want their food delivered

continued on page 74

Pizza Hut is moving away from traditional stand-alone, red-roofed buildings and are branching out with delivery units, kiosks in malls, and junior high school cafeterias.

quickly to their home. As a result, decision-makers have to be even more precise in determining where new restaurants should go.

It's simple to see why this has happened," says Dick Williams, senior manager of National Decision Systems, a site selection consulting firm that counts over 40 of the top 100 chain restaurants among its clients. "The stakes are higher, so people want better information on which to base their site decisions. Markets are more saturated, quality sites are scarcer, and mistakes in site selection are intensified because of the cost. Naturally, chains want to avoid mistakes, so they use our models or models they put together themselves to tell them if a site fits the criteria that they have selected for success."

Of course, the systems are far from fool-proof; a brief drive around any American city reveals a number of shuttered restaurants. "But, on the whole, we're probably making fewer mistakes than we made before," says Maurice C. Robbins, vice president of development operations for Rocky Mount, NC-based Hardee's Food Systems. Hardee's uses what Robbins refers to as "all the latest techniques" in siting its restaurants. These include demographic and psychographic data bases, consultant appraisals, and sophisticated traffic pattern analyses. But, adds Robbins, "It often comes down to a simple question that we ask ourselves before going into a location: 'Would I invest my own money in this site?' That's the clincher, and it's ultimately a gut feeling for the location."

'It's almost like warfare, but the weapons are changing.'—Lane Cardwell, Brinker International

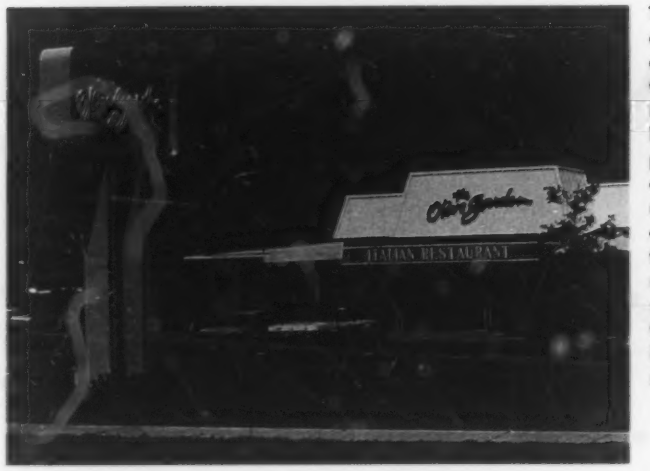
And, more often than not, new restaurant sites are in what are coming to be known as nontraditional locations. "You've got selected saturated markets and other factors working here," says Bill Hale of The Hale Group, a restaurant consulting firm. "One outcome of that is that chains are turning to other types of sites to build restaurants." Among them: turnpike rest stops, colleges, business and industry locations, airports, hospitals, high schools, grammar schools, military bases, and drive-thru only or walk-ups.

Some chains that, in the past, were only located in shopping malls—such as Atlanta's Chick-fil-A—are now branching out and building freestanding locations. Others—like Pizza Hut—are moving away from their traditional stand-alone, red roofed buildings and into delivery units, kiosks in malls, and junior high school cafeterias. Hardee's has just decided to begin pursuing sites on military bases, and is about to open its first, in Fayetteville, NC.

NONTRADITIONAL SITES. According to Hale and other consultants, as well as chain executives involved in site selection, the economics of the restaurant industry today dictate the use of more nontraditional sites. "If you're looking for a sensible return on investment," says Hale, "You've got to look to other kinds of sites besides the traditional one-acre parcels on which you put a $1 million-plus building. With growth in the industry coming from off-site consumption, it just makes sense to go to sites that require less investment, but will yield a two-to-one (or better) sales to investment ratio."

Louisville, KY-based Kentucky Fried Chicken (KFC) provides a good case-in-point of how a major chain intends to expand its business through the construction of nontraditional sites. KFC plans to double its current size of 5,000 restaurants to 10,000 by 1999, and the majority of new units will be in nontraditional locations, including limited-menu express stops, kiosks, schools, colleges, food courts, and snack shops. "There are enormous opportunities for us in secondary markets and specialty markets," says Don Parkinson, senior vice president of worldwide development for KFC. While KFC executives will not detail the precise numbers of nontraditional to traditional units it will build between now and 1999, Parkinson points to the availability of smaller sites and the lower investment required by them as significant reasons for the emphasis on nontraditional locations. "We're now prepared to provide a totally different interpretation of the KFC experience in totally different markets," he adds. "Also, you can't do traditional approach-

continued on page 76



To reduce development costs, The Olive Garden Italian dinner-house chain purchases closed restaurant sites and converts them to its own units. At the same time, the company is moving into new markets.

es for nontraditional customers. This business is no one-trick pony any longer."

DISTRIBUTION POINTS. John E. Martin, president and CEO of Irvine, CA-based Taco Bell Worldwide, which recently displayed a modular version of its unit at the National Restaurant Association Show in Chicago, bluntly states that "the future of the fast-food business lies in expanding the definition of distribution points. We will be willing to go virtually anywhere to sell our products to people."

Like its sister divisions of PepsiCo, Taco Bell has an extremely aggressive 10-year growth strategy, planning to virtually double in size, based in large part on the development of nontraditional sites.

Just about every major chain—as well as many niche players and independent restaurants—have re-evaluated their site selection criteria in light of rapidly shifting demographics, changing consumer preferences, escalating real estate prices, and more restrictive zoning requirements. "We used to be able to put a new restaurant just about anywhere," says Lee Cohn, founder and president of Big 4, a $20 million group of restaurants based in Phoenix. "But now the business is tougher in general, so we're looking for better real estate. We look for triple A locations, with visibility, residential components, commerce, and excellent future growth projections. It all goes into the process."

Chains have re-evaluated their site selection criteria in light of changing consumer tastes and soaring building costs.

SEAT OF THE PANTS. But, for Cohn, as well as many other small chains that don't have access to the sophisticated tools used by the national chains, "seat-of-the-pants" site selection is more often the rule. "We sit outside restaurants in the neighborhoods we are considering, and we count cars," admits Cohn. "We also use the presence of other restaurants in an area as a criteria. We can judge our business from theirs. We especially look for direct competitors, such as Friday's or Houlihan's." Cohn also sends people into his competitors' restaurants to gather information. "We spend time in the restaurants, get to know the customers, get the numbers and sales histories from may be striking up conversations with managers or their assistants. It's easy to get that sort of stuff, and we can base our decision on locating somewhere based on it."

But, he adds, "nothing can replace having a 'feel' for your market," something that Cohn and his management team have clearly developed for Phoenix. Currently, Big 4 is building a sports bar called "Gim's" in a former Friday's location. Seating 250, it will open in the fall, and Cohn expects first-year sales of $3 million, even in a very tough Phoenix market. "We expect to do significantly better than the previous owners," he says.

For the major chains, the basic site selection criteria remains similar to what it has already been. Roger Rydell, a spokesman for Wichita, KS-based Pizza Hut, says that "We look first for safety and security, then at the number of households, and then at income levels in those households." He points out that Pizza Hut's standard trading area has been rapidly shrinking as the chain builds more take-out and delivery-only units. "For example, in New York City, we have a minuscule trade area because of the density of the population. It may be only one building that a unit is dedicated to."

For Hardee's, the trade area varies depending upon the market. "We might look for a 25,000-person trade area for a unit," says Robbins, "But we would also consider a 5,000-person trade area if it was the county seat or a business center in a rural area. We learned to be flexible."

TRAFFIC GENERATORS. Other chains with less penetration than a Pizza Hut or a Hardee's have different kinds of criteria. Cardwell of Chili's reports that his chain looks for "built-in traffic generators, such as hotels, business parks, retail centers, and residential neighborhoods. If we can get a good mixture of those things, so much the better," he adds. "We're really interested in seeing 'good shopping' in an area we're looking at," says Don Perry, a spokesman for Chick-fil-A. Chick-fil-A has 450 units, and has recently built 28 freestanding units, primarily in its home market of Atlanta. The freestanding unit yields over $1 million annually compared to the $600,000 generated by its mall loca-

continued on page 80

CHART BY SHARI FANG

tions. "We were finding our mall-only strategy limiting," admits Perry. "There are fewer malls being built these days, and we wanted to broaden our base. There has been no new mall built in Georgia in five years, but we've doubled in size in Atlanta in that time. We've had to change our philosophy," he adds.

Malls have become problematical for many big chains. "A mall location, for us, has to be real special to make up for the loss of drive-thru business and the absence of breakfast," says Robbins of Hardee's. Many chains depend on drive-thrus for up to 50% of their business, and malls don't offer that kind of convenience.

Denver-based Bakers Square Restaurants look for high-growth and high traffic areas, according to Larry P. Gadola, vice president of development for the VICORP division. "We have certain financial hurdles we have to meet, and they are strictly enforced. If our average volume is $1.8 million, we don't want to open units doing $1.2 million or $1.3 million. It just doesn't make sense." The site selection process at Bakers Square, as a result, is rigorous. "We're not built out, so we can go into places that other chains can't go," says Gadola, adding that "It gives us more flexibility. And we're willing to pay a little more for a site if we know that it will generate the kinds of numbers we want." But, says Gadola, his job has become even more difficult because of requirements that local governments are placing on new development. "Especially in California, which is very important for us, there are often difficulties with sewer access and water availability," he says. "If I find a great site but the local town council wants a $150,000 sewer hook-up fee and another $100,000 in improvements to the intersection, that all goes into the equation, and it may nix the deal."

With ever-changing demographics, chances are good that site selection will continue to be an evolving issue.

Olive Garden, the 250-unit chain of Italian dinnerhouses operated by General Mills, is pursuing a two-pronged growth strategy in which it moves into new markets as well as fills out markets it already operates in.

"It is probably fair to say that no place is off-limits for Olive Garden," says Gordon A. Hinzmann, director of market development for General Mills Restaurants. Partially to reduce development costs, Orlando, FL-based Olive Garden has purchased a number of closed restaurant sites to convert to its own units. "The advantage in opening in a closed location or buying out an existing restaurant is that we eliminate a competitor," says Hinzmann.

WEIGHTS AND VARIABLES. Hinzmann also handles site selection for General Mill's Red Lobster division, "and we look for entirely different kinds of opportunities there," he says. With Red Lobster, we're now going to smaller markets, so we've changed the definitions of exactly what we're looking for. We give different weights to different variables in the mix. For example, we may give more weight to the number of households outside our traditional trade area for the downsized unit, because we know that we'll draw more people from further away. We tend to look more at the strengths of the entire market, not just a small part of it."

The new, down-sized Red Lobster is 2,000 sq. ft. smaller than the traditional unit, offering 40 fewer seats and no bar. The chain plans to build three of these restaurants in 1991.

With consumer preferences changing and the other pressures on the restaurant industry continuing, chances are good that site selection will continue to be a rapidly evolving area. While it is clearly trying to become more scientific, it remains an art form. "We've tried to make it as rational as possible," says Robbins of Hardee's site selection process, "But often it just comes down to: 'Am I comfortable with this location? It's a question of gut feelings." RB

'We used to be able to put a new restaurant just about anywhere, but now the business is tougher.'
—Lee Cohn, Big 4

For more information on the Beef Industry Council circle number 55→

ASIAN

MARKET SEGMENT REPORT

There has never been a successful national chain.

By Diane Kochilas

To many observers, the Asian segment is poised where pizza was 20 years ago: on the verge of an explosion in growth, especially for startup chains. Asian food encompasses Japanese, Thai, Vietnamese, Korean, Polynesian, and myriad other Far Eastern cuisines, but the segment is dominated by Chinese, and most of the growth activity is taking place in the Chinese-food sector. The market is also dominated by independents, and as in the pizza segment, they will be most threatened by the incursion of chains.

While sales and unit counts in the restaurant industry remain static as a whole, the Asian segment is enjoying growth across the board. Sales overall for the segment went from $7.2 billion in 1989 to $7.5 billion in 1990, according to CREST data from NPD Group in Park Ridge, IL. Quick-service Asian restaurants benefited the most, enjoying a 15% increase in traffic in 1990 over 1989. Traffic counts for midscale Asian restaurants rose 5% in 1990 over the previous year, casual-dining traffic counts grew by 3%, and fine dining by 4%.

New unit growth, while not in the double digits as it was during the late 1980s (largely due to the influx of Asian immigrants as well as increased popularity of ethnic food), followed suit. In 1990, the number of Asian restaurants grew by about 5%, to more than 23,000 units, according to Restaurant Consulting Group.

The Benihana Japanese dinnerhouse concept focuses on exhibition cooking at teppan grills set into table tops.

NEVER NATIONAL. One of the enigmas of the Asian segment is that even though the food has been popular for years in America, there has never been a national chain. This, despite the fact that Chinese food is the second most popular ethnic food eaten in restaurants, according to studies by the National Restaurant Association. One reason why a national chain has yet to emerge is in the nature of the independents that dominate this segment. "The Asian market has traditionally been led by mom-and-pop operators," says Norman Shum, CEO of the 13-unit China Belle, based in Dallas. "These entrepreneurs work their concepts very hard, but they don't grow them."

Yet, even large companies have not been successful with an Asian

continued on page 128

ASIAN

MARKET SEGMENT REPORT

concept. "Many have tried and failed to establish themselves nationally," says H. Stuart Erickson, a former Subway Sandwiches & Salad franchisee who founded the four-unit Asian chain, Gung Ho, in Minneapolis, in 1990.

"There is no monolithic force driving the industry yet," says Robert J. O'Brien, director of sales and market development at CREST.

Erickson explains that the cuisine is inherently complex. "It's difficult to find people who know how to cook good Chinese food," says Erickson. "And, when you do, they usually have their own way of doing things. It's difficult to control the consistency and quality."

Chuck Miller, founder and president of Hop Too's of America, based in Fort Lauderdale, FL, agrees. "One reason why it hasn't taken off yet," says Miller, "is that Chinese food is more complicated to make than, say, pizza."

While-wok cookery may not in itself be difficult, observers note, the preparation is labor-intensive. With mom-and-pop restaurants, labor costs are traditionally low because whole families usually work the business together.

WHAT NOT TO DO. In 1985, two food giants tried their hand at Asian concepts: General Mills bought Minneapolis-based Leeann Chin, and Pillsbury acquired Dallas-based Quik Wok. In both cases, the corporate cultures just did not work to expand what were essentially mom-and-pop operations.

General Mills sold its Asian chain back to founder Leeann Chin in 1988. Says Chin today: "General Mills was concentrating on its fledgling Olive Garden chain at the time, and just didn't think very hard about expanding my concept. They made some mistakes. They shut down the $1 million central kitchen and contracted all the prep work out. That hurt quality."

Today, Chin has moved back to the commissary strategy. She owns and operates 10 units, all in the Minneapolis/St. Paul area, and hopes that within three years she'll have locations in at least one other city.

The cuisine is complex and labor intensive.

With Quik Wok, which also still exists, the Pillsbury bungle seems a little more complex. "They bought it from the original owners in 1985," says Steven Zipkoff, director of marketing and franchise development for the Dallas-based chain. "My own speculation—well, let's just say they tried to run it like a Burger King chain."

One former Pillsbury-era Quik Wok executive is more precise: "Before Pillsbury came in," he says, "you could open a Quik Wok with a $400,000 investment. The Quik Woks that Pillsbury put together cost $900,000 to open. The new buildings were much too big, twice the size of the original units.

"Another mistake they made," he continues, "was that before they had a handle on the concept, they rushed into home delivery. That was a fiasco. Instead of taking what was a very good idea and growing it, they tried to put their corporate stamp all over it."

Quik Wok was sold again in 1989 to Paul Lee, a Dallas businessman. One franchisee runs all 14 Quik Wok units (six in Dallas and eight in San Antonio).

Today, average check at Quik Wok is $4.80, and each unit has about 70 seats. The company hopes to grow through franchising. The franchising fee is $20,000, with total cost for putting up a unit between $125,000 and $180,000.

General Mills is currently testing a freestanding Chinese dinner-house concept in Orlando called China Coast. The Chinese entrees fall in the $8 to $11 range. While General Mills spokesman

continued on page 130

The Gung Ho chain preps food at a commissary and finishes it in units.

ASIAN

MARKET SEGMENT REPORT

Charles Tate was reticent even about the number of seats in the test unit (between 250 and 300), he did say General Mills was pleased with its China Coast concept so far.

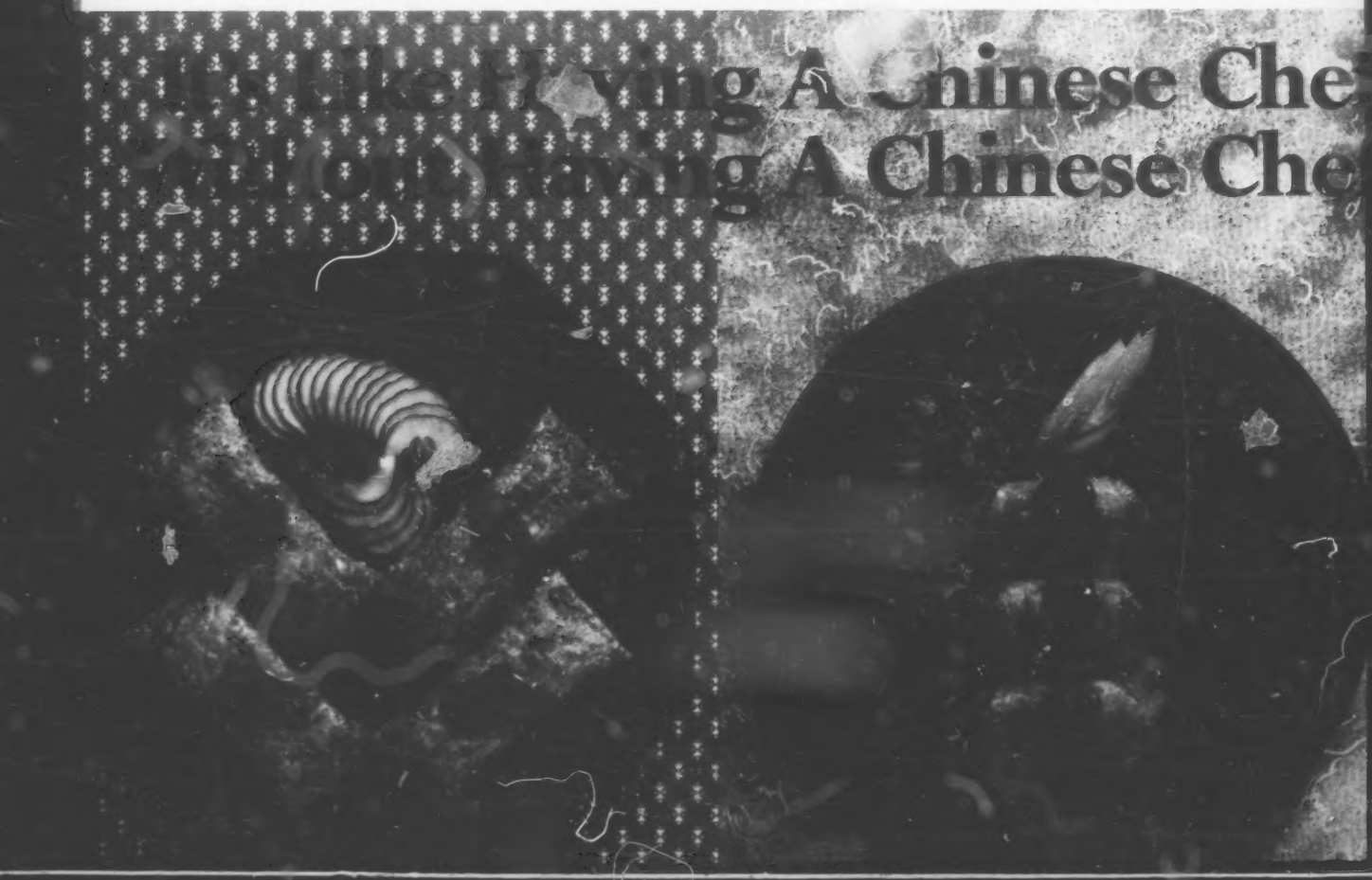
IT'S HEALTHY. Steve Zagor, a restaurant industry analyst with Coopers & Lybrand in New York City, voices what is perhaps the single most important reason why Asian food is gaining popularity. "It is perceived as a light cuisine," notes Zagor. "It can cloak itself in an aura of healthfulness.

Many operators second Zagor's view. Asian food is always perceived as healthful," says Shum, who markets his China Belle concept with that image.

Even traditional American-food concepts, such as the Denver-based Bakers Square, are cashing in on the perceived healthfulness of Asian cookery. "Our prime feature is pie," explains Tom Wirt, executive vice president of marketing. "But we added stir-fried items to the menu a few years ago. For us, stir-fry fits well with the calorie trade-off phenomenon. People perceive it as light, so they can justify eating dessert." Bakers Square offers chicken and beef stir-fry, a chicken fajita stir-fry, and a vegetable stir-fry. The average stir-fry dinner, with soup, salad, and bread, runs about $6.50, says Wirt.

Red Robin, a 70-unit American family-style chain based in Irvine, CA, added what food and beverage director Monte Loiacono calls "Asian flavor profiles" to its menu several years ago, too. "We take, say, a teriyaki sauce and apply it to stir-fry salad. We also have a stir-fry pasta primavera with noodles," he says. Red Robin also serves tempura fish & chips, Shanghai chicken and beef on skewers, and a teriyaki chicken burger topped with pineapple.

Dallas-based TGI Fridays added potstickers to its menu in the early 1980s. In 1990, several Asian-inspired dishes were added to the menu, too, says spokeswoman Rebecca Klustner. The company developed a Thai chicken appetizer—strips of chicken marinated in pineapple juice,



soy sauce, and honey, charbroiled, and served atop noodles with peanut sauce—which it menus for $4.95 to $5.25. A Thai chicken salad was also introduced.

THE RIGHT STUFF. While the advent of Asian items on American menus may be just another signal that this cookery has hit the mainstream and that full-fledged Asian chains will be cropping up quickly in the wake, there are as many philosophies about what kind of concept will have what it takes to grow nationally as there are varieties of rice.

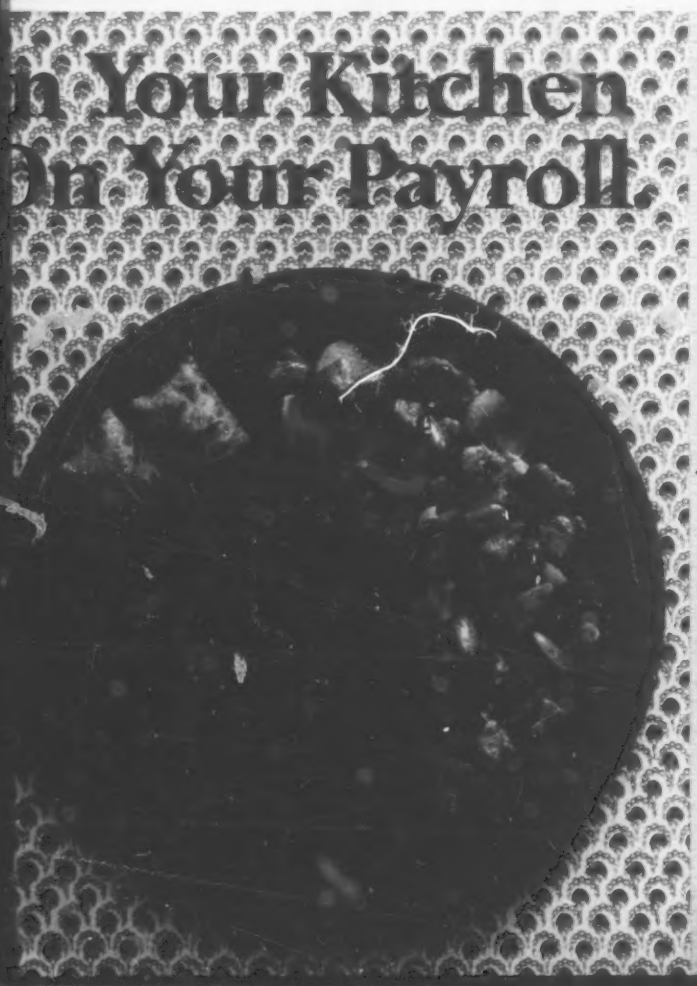
For any chain operation to succeed in the Asian segment, the preparation and cooking systems must be cost- and labor-efficient, and the product must be consistent. It must also be flexible enough to suit regional preferences. Unlike the mom and pops, many start-up chains opt to have most prep work done in a central commissary.

For Erickson and his Gung Ho chain, the key to a strong expansion vehicle is convenience. "We're selling convenience," he says. About 30% of the people who eat at Gung Ho come to us for food," notes Erickson. "The 70% major-

continued on page 132

GOING IT ALONE
Over three-quarters of all Oriental restaurants are independently operated.
Total Oriental Units: 23,221
Chain 24.3%

CHARTS BY SHARI FANG



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For information circle number 153

ASIAN

MARKET SEGMENT REPORT

ity comes to us because it's easy."

In keeping with his convenience-oriented philosophy, Erickson is developing hand-held Chinese food, such as stir-fry dishes wrapped in wonton skins that he'll sell for about $3.50. All meats and vegetables are prechopped at the commissary, then portion-packed and kept in a refrigerator near the wok station. "All a cook has to do is dump a bag of meat and a bag of vegetables in the wok, add some sauce, and, *voila!*, in 60 seconds you've got a meal."

DELIVERY. At Hop Too's, the buzz word is delivery. "We're trying to attract the people who are tired of pizza, pizza, pizza as the only delivery food," says Hop Too's Miller. There are 45 rotating entrees, seven appetizer selections, three soups, dessert, and beverages on Hop Too's menu. Take-out accounts for 15% to 20% of sales; delivery accounts for the remainder. An average unit will take in about 100 delivery orders a day, he adds, and average check is $15, which includes a small delivery charge and is usually shared between two to three people.

Miller, who opened his first unit in 1987, says he believes in controlled growth. Of the eight Hop Too's units, five are franchised. "We will add 10 new units by the end of the year."

Another concept poised for expansion is the two-unit, cafeteria-style Mr. Wok Express, based in Hilliard, OH. It was started by Mark Pi of Mark Pi's International also based in Hilliard. Pi runs several concepts: 21 full-service restaurants called Mark Pi's China Gate, 10 Mark Pi's Ancient Woks, and his new Express concept.

Pi opened the first Mr. Wok Express in December, 1990. Both units are located in shopping strips and have about 50 seats each. There is a steam table behind the counter that people can see, notes Mark Pi Jr., the owner's son.

Mr. Wok Express has a rotating menu of about 36 items, including weekly and daily specials. Checks average $6 per person. At present, he says, the company is in the process of completing and implementing an operations manual and hopefully by year-end will be able to begin franchising.

Toronto-based Manchu Wok boasts 189 units in the U.S. and Canada.

One key reason for the cuisine's popularity is its perceived healthiness.

Miami's Samurai Sam Jr., founded by Florida restaurateur Sid Shane in 1988, combines Chinese and Japanese food on its menu. Shane also offers a Korean specialty. For Shane, delivery is a key selling point. "Our gimmick is our package." All meals are packed for delivery in a black-and-amber plastic, microwavable container." Each Samurai Sam Jr. unit has about 25 seats, but a whopping 70% of business comes from delivery. Shane also offers drive-thru service.

The units are decidedly non-Asian in decor. "Basically, the units are little more than a counter and an open kitchen. Red, black, and white make up the color scheme, with a fair dose of neon to brighten things up.

Four of the five Samurai Sam Jrs. in existence are franchised, and Shane hopes to use franchising as his vehicle for growth. The franchising fee for Samurai Sam Jr. is $25,000. The average overall startup cost, including the fee, is $125,000, plus 5% royalty. The average delivery check is $17, usually divided among two or more diners; the eat-in check averages $7 per person. Currently, says Shane, an average unit brings in about $2,000 a day, gross.

THE MANCHU DYNASTY. While there are literally dozens of small chains, with two, five, or a dozen units, aiming for national presence, one company seems to be ahead of all the rest: Manchu Wok. Manchu Wok is a Toronto-based company owned by Scotts Hospitality, which operates 189 units in the United States and Canada and is growing by about two a week. Of the 189 units, 81 operate in 23 states across the U.S.

Manchu Wok began as a food-court concept. In the United States, 55% of the units are in malls, and to date, 90%

continued on page 134

ASIAN

MARKET SEGMENT REPORT

of the units in America are company-owned. But Manchu Wok is on an aggressive growth track, and plans to speed up expansion through franchising. "Within two years," says company president and CEO, John Tobin, "70% of our units will be franchised."

Tobin says most of Manchu Wok's U.S. growth will be focused on both coasts. "One-third of all Asians in America live in California," he explains. His largest unit in terms of volume is in Seattle. It brings in $1 million a year.

The company's strategic plan calls for 1,000 new units, the bulk franchised, in the U.S. and Canada by 1996. Two-thirds of the units will be in the United States, says Tobin. Based on the strategic plan, food courts will continue to account for the majority of units, but the company is also exploring in-line units with 40 to 50 seats for malls; nontraditional sites; take-out and delivery units; and acquisition of existing chains.

The franchising fee is $30,000, with a royalty of 6%. Average check at Manchu Wok is $4, and the company has a stable of about 40 rotating menu items. The units' decor is Asian-inspired with lacquered finishes, rice paper motifs, and a lot of wood.

While most of the activity in the Asian segment is centered on upstart chains vying for market share, there has been a quiet revolution underway in the upper end of the market.

As Clifford Chow, general manager at San Francisco's Harbor Village restaurant says: "The new immigrants, namely the moneyed classes from Hong Kong, are coming to America and bringing their innovative, expensive restaurants with them," says Chow.

At Harbor Village, his Hong Kong-trained chef makes a dish called imperial lobster: lobster stir-fried in butter and finished off by braising in a stock. It sells for about $18 per lb.

Upscale oldtimers like Benihana of Tokyo and Trader Vic's are also undergoing some changes.

For Miami-based Benihana, which is a Japanese dinner-house concept with 51 units in the United States (eight of which are franchised), business over the last few years has been "stable," says director of public relations and marketing, Keith Card.

The company is looking to move into smaller, more suburban markets in an effort to revitalize business, and it recently established the Benihana club, a discount program for frequent diners. "Our strategy right now is to maintain

Segment sales reached $7.5 billion in 1990.

market share, but we will not be changing the concept dramatically. We are still largely a special occasion restaurant, but we capture a good portion of the business traveler market. Why should we change a sure thing?"

For others in the upscale segment, though, change is the tune of the day. One of the oldest Asian upscale restaurant chains is Trader Vic's, founded in 1927 and based in San Francisco. Under the stewardship of CEO Didier Peyron, the company is in the midst of revamping and altering its concept to attract a younger market.

"We will go to freestanding restaurants," says Peyron, "in a break from the traditional hotel operation. Our new units are bright and fun."

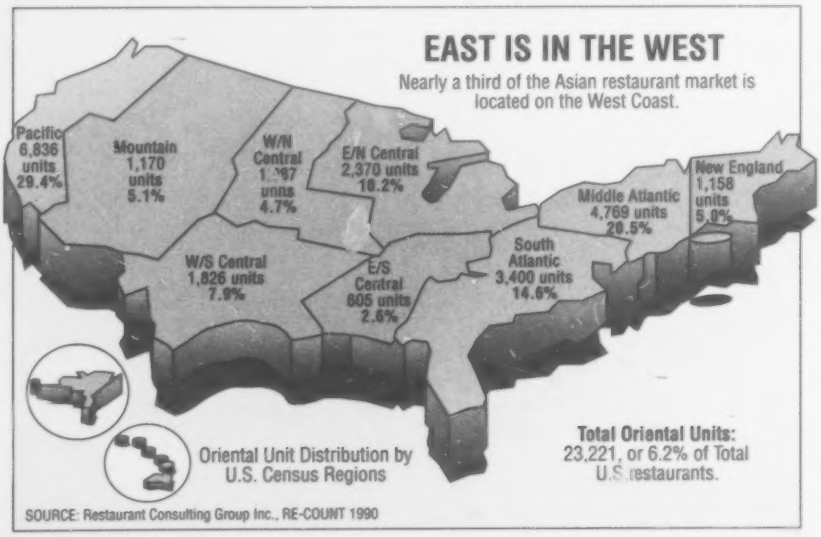
Peyron hired designer Adam Tihany to modernize Trader Vic's design. The first new unit in the U.S. is in Oakland, CA, and will be open by year-end.

Although Trader Vic's brought Polynesian food and drink to the fore, the new concept will have a revamped menu with lighter fare, "But everything will be exotic," says Peyron. The menu will include Chinese caviar, house-smoked salmon, and California foie gras with an Eastern twist—ginger.

Prices are downscaled, too, in hopes of attracting a younger, livelier crowd. Entrees will be in the $14 to $18 range.

For its revamped concept, Trader Vic's franchising fee is $75,000, with royalties at 5% of gross.

WRAPPING UP. Overall, there seems to be a cultural revolution afoot in the Asian restaurant market. With so many different concepts competing for market share and national presence, the next few years will be active ones. But there's a long way to go before a Taco Bell of the Asian market emerges. **RB**


EAST IS IN THE WEST
Nearly a third of the Asian restaurant market is located on the West Coast.
Pacific 6,836 units 29.4%
Mountain 1,170 units 5.1%
W/N Central 1,097 units 4.7%
E/N Central 2,370 units 10.2%
New England 1,158 units 5.0%
Middle Atlantic 4,769 units 20.5%
South Atlantic 3,400 units 14.6%
E/S Central 605 units 2.6%
W/S Central 1,826 units 7.9%
Oriental Unit Distribution by U.S. Census Regions
Total Oriental Units: 23,221, or 6.2% of Total U.S. restaurants.
SOURCE: Restaurant Consulting Group Inc., RE-COUNT 1990